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**恒安國際集團有限公司\***

**HENGAN INTERNATIONAL GROUP COMPANY LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1044)**

Websites: <http://www.hengan.com>

<http://www.irasia.com/listco/hk/hengan>

## **RENEWAL OF EXISTING CONTINUING CONNECTED TRANSACTIONS**

On 22 December 2014, Hengan Mega Jumbo, a direct wholly-owned subsidiary of the Company, entered into the 2015 Supply Agreements with Weifang Power pursuant to which Weifang Power will continue to supply electricity and heat energy to the Shandong Subsidiaries for the financial year ending 31 December 2015.

The Board considers that the entering into of the 2015 Supply Agreements are in the interest of the Company and its Shareholders as a whole, as the Group can continue to have secured steady electricity and heat energy supply from Weifang Power for the Group's major manufacturing operations in Weifang, Shandong Province of the PRC at the rates which are below the prevailing market rates or at the rates no less favourable (or more favourable) than those charged by independent third parties and therefore maintain the market competitiveness of the Group.

The applicable percentage ratios with reference to the annual caps in relation to the aggregate value of the Transactions under the 2015 Supply Agreements estimated for the financial year ending 31 December 2015 are below 5%. Consequently, the Transactions are subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirement set out in Chapter 14A of the Listing Rules.

\* For identification purposes only

## **BACKGROUND**

On 17 December 2013, Hengan Mega Jumbo, a direct wholly-owned subsidiary of the Company, entered into the 2014 Supply Agreements with Weifang Power. Pursuant to the 2014 Supply Agreements, Weifang Power supplies electricity and heat energy to the Shandong Subsidiaries for the financial year ending 31 December 2014. For more details, please refer to the Company's announcement dated 17 December 2013.

As the 2014 Supply Agreements will expire on 31 December 2014, Hengan Mega Jumbo and Weifang Power entered into the 2015 Supply Agreements on 22 December 2014 pursuant to which Weifang Power will continue to supply electricity and heat energy to the Shandong Subsidiaries for the financial year ending 31 December 2015.

The principal terms of the 2015 Supply Agreements are set out as follows:

### **1. 2015 Electricity Supply Agreement**

Date:	22 December 2014
Parties:	(1) Hengan Mega Jumbo (as buyer) (2) Weifang Power (as supplier)
Duration:	From 1 January 2015 to 31 December 2015 (both days inclusive)
Nature of transaction:	Supply of electricity, in respect of which the Shandong Subsidiaries will enjoy priority over all other customers of Weifang Power
Charges:	At a rate of RMB0.7078 per kilowatt-hour, which is subject to adjustment based on market conditions and to be mutually agreed by Hengan Mega Jumbo and Weifang Power provided that the adjusted unit price shall in any event be lower than the prevailing market price or at a rate no less favourable (or more favourable) to the Group than that charged by independent third parties. The charges will be paid by the Shandong Subsidiaries on a monthly basis from their respective internal resources.
Annual cap:	RMB168 million for the financial year ending 31 December 2015

**Basis of the annual cap in respect of the charges payable under the 2015 Electricity Supply Agreement:**

- (a) the aggregate annual value of the charges paid to Weifang Power for the electricity utilized by the Shandong Subsidiaries for each of the two years ended 31 December 2012 and 2013 and the eleven months ended 30 November 2014, being approximately RMB133 million, RMB127 million and RMB96 million, respectively;
- (b) the existing scale and operations of the business of the Shandong Subsidiaries and the anticipated demand for electricity as a result of predicted amount of products being manufactured by the Shandong Subsidiaries;
- (c) the unit price to be charged for the supply of electricity under the 2015 Electricity Supply Agreement at a rate of RMB0.7078 per kilowatt-hour, which is subject to adjustment based on market conditions and to be mutually agreed by Hengan Mega Jumbo and Weifang Power provided that the adjusted unit price shall in any event be lower than the prevailing market price or at a rate no less favourable (or more favourable) to the Group than that charged by independent third parties; and
- (d) increase in the market prices of the electricity due to the inflation in the PRC.

**2. 2015 Heat Energy Supply Agreement**

Date:	22 December 2014
Parties:	(1) Hengan Mega Jumbo (as buyer) (2) Weifang Power (as supplier)
Duration:	From 1 January 2015 to 31 December 2015 (both days inclusive)
Nature of transaction:	Supply of heat energy, in respect of which the Shandong Subsidiaries will enjoy priority over all other customers of Weifang Power
Charges:	At a rate of RMB231 per ton for operation of the manufacturing facilities, which is subject to adjustment based on market conditions and to be mutually agreed by Hengan Mega Jumbo and Weifang Power provided that the adjusted unit price shall in any event be lower than the prevailing market price or at a rate no less favourable (or more favourable) to the Group than that charged by independent third parties. The charges will be paid by the Shandong Subsidiaries on a monthly basis from their respective internal resources.
Annual cap:	RMB113 million for the financial year ending 31 December 2015

**Basis of the annual cap in respect of the charges payable under the 2015 Heat Energy Supply Agreement:**

- (a) the aggregate annual value of charges paid to Weifang Power for heat energy utilized by the Shandong Subsidiaries for each of the two years ended 31 December 2012 and 2013 and the eleven months ended 30 November 2014, being approximately RMB78 million, RMB81 million and RMB61 million, respectively;
- (b) the existing scale and operations of the business of the Shandong Subsidiaries and the anticipated demand for heat energy as a result of predicted amount of products being manufactured by the Shandong Subsidiaries;
- (c) the unit price to be charged for the supply of heat energy under the 2015 Heat Energy Supply Agreement at the rate of RMB231 per ton for operation of the manufacturing facilities, which is subject to adjustment based on market conditions and to be mutually agreed by Hengan Mega Jumbo and Weifang Power provided that the adjusted unit price shall in any event be lower than the prevailing market price or at a rate no less favourable (or more favourable) to the Group than that charged by independent third parties; and
- (d) increase in the market prices of the heat energy due to the inflation in the PRC.

**RELATIONSHIP BETWEEN THE PARTIES TO THE TRANSACTIONS**

Weifang Power is a connected person of the Company for the purposes of the Listing Rules since:

- (1) Weifang Power is owned by Advance Asia and Weifang Investment as to 95% and 5% respectively;
- (2) Advance Asia is owned by Mr. Hui Ching Lau and Mr. Sze Wong Kim, an executive Director of the Company, as to 61% and 39% respectively;
- (3) Mr. Hui Ching Lau is a son of Mr. Hui Lin Chit and a brother of Mr. Hui Ching Chi, who are respectively the deputy Chairman, the chief executive officer, an executive Director and a substantial Shareholder of the Company, and an executive Director of the Company; and
- (4) Mr. Sze Wong Kim is the son of Mr. Sze Man Bok, the Chairman, an executive Director and a substantial Shareholder of the Company.

Accordingly, the Transactions constitute continuing connected transactions of the Company for the purposes of the Listing Rules.

Mr. Sze Man Bok, Mr. Hui Lin Chit, Mr. Sze Wong Kim and Mr. Hui Ching Chi, being Directors having a material interest in the Transaction and having declared their potential conflict of interests in the Transactions, have abstained from voting on the resolutions at the meeting of the Board at which the Transactions were considered and approved.

## **LISTING RULES IMPLICATIONS**

The applicable percentage ratios with reference to the annual caps in relation to the aggregate value of the Transactions under the 2015 Supply Agreements estimated for the financial year ending 31 December 2015 are below 5%. Consequently, the Transactions are subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirement set out in Chapter 14A of the Listing Rules. The Group has not entered into any prior transaction with each of Mr. Sze Man Bok, Mr. Hui Lin Chit, Mr. Hui Ching Lau, Mr. Sze Wong Kim and Mr. Hui Ching Chi and/or their respective connected persons which is required to be aggregated with the Transactions under Rule 14A.25 of the Listing Rules.

## **REASONS FOR AND BENEFITS OF THE RENEWAL OF THE CONTINUING CONNECTED TRANSACTIONS**

The Board considers that the entering into of the 2015 Supply Agreements are in the interest of the Company and its Shareholders as a whole, as the Group can continue to secure steady electricity and heat energy supply from Weifang Power for the Group's major manufacturing operations in Weifang, Shandong Province of the PRC at the rates which are below the prevailing market rates or at the rates no less favourable (or more favourable) than that charged by independent third parties and therefore maintain the market competitiveness of the Group.

## **VIEW OF THE DIRECTORS**

The Directors (including the independent non-executive Directors) consider the terms of the 2015 Supply Agreements are on normal commercial terms (or better to the Group) which are arrived at after arm's length negotiations between the parties and are fair and reasonable and in the interests of the Company and its Shareholders as a whole and the Transactions contemplated thereunder are in the ordinary and usual course of business of the Group.

## **INFORMATION IN RESPECT OF THE GROUP AND WEIFANG POWER**

The Group is principally engaged in the manufacturing, distribution and sale of personal hygiene products and food and snack products mainly in the PRC.

Weifang Power is a sino-foreign equity joint venture incorporated in the PRC with a registered capital of US\$12,000,000, which is held by Advance Asia and Weifang Investment as to 95% and 5% respectively. Weifang Power is principally engaged in the supply of heat energy and electricity in the PRC.

## DEFINITIONS

In this announcement, the following terms have the meanings set out below:

“2014 Electricity Supply Agreement”	the electricity supply agreement dated 17 December 2013 entered into between Hengan Mega Jumbo and Weifang Power, pursuant to which Weifang Power supplies electricity to the Shandong Subsidiaries in accordance with the terms and conditions thereof, with effect from 1 January 2014 to 31 December 2014
“2014 Heat Energy Supply Agreement”	the heat energy supply agreement dated 17 December 2013 entered into between Hengan Mega Jumbo and Weifang Power, pursuant to which Weifang Power supplies heat energy to the Shandong Subsidiaries in accordance with the terms and conditions thereof, with effect from 1 January 2014 to 31 December 2014
“2014 Supply Agreements”	the 2014 Electricity Supply Agreement and the 2014 Heat Energy Supply Agreement
“2015 Electricity Supply Agreement”	the electricity supply agreement dated 22 December 2014 entered into between Hengan Mega Jumbo and Weifang Power
“2015 Heat Energy Supply Agreement”	the heat energy supply agreement dated 22 December 2014 entered into between Hengan Mega Jumbo and Weifang Power
“2015 Supply Agreements”	the 2015 Electricity Supply Agreement and the 2015 Heat Energy Supply Agreement
“Advance Asia”	Advance Asia International Limited, a company incorporated in Samoa, which in turn is held by Mr. Hui Ching Lau and Mr. Sze Wong Kim as to 61% and 39% respectively
“Board”	board of Directors
“Company”	Hengan International Group Company Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules

“Director(s)”	the director(s) of the Company
“Group”	the Company together with its subsidiaries
“Hengan Mega Jumbo”	Hengan Mega Jumbo Investments Limited, a company incorporated in Hong Kong with limited liability and is directly wholly-owned by the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, The Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shandong Subsidiaries”	members of the Group in Weifang, Shandong Province of the PRC, including but not limited to Shandong Hengan Paper Co., Ltd (山東恒安紙業有限公司) and Shandong Hengan Paper Products Co., Ltd. (山東恒安心相印紙製品有限公司), both of which are indirect wholly-owned subsidiaries of the Company and are the Group’s major manufacturing operations in Weifang, Shandong Province of the PRC
“Shareholder(s)”	holder(s) of shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto in the Listing Rules
“Transactions”	the continuing connected transactions contemplated under each of the 2015 Supply Agreements
“US\$”	US dollars, the lawful currency of the United States
“Weifang Investment”	濰坊市坊子區投資公司, a State-owned enterprise established in the PRC

“Weifang Power”

濰坊恒安熱電有限公司 (Weifang Hengan Thermal Power Co., Ltd.), a sino-foreign equity joint venture incorporated in the PRC with a registered capital of US\$12,000,000, which is held by Advance Asia and Weifang Investment as to 95% and 5% respectively

“%”

per cent.

By Order of the Board  
**Hengan International Group Company Limited**  
**Sze Man Bok**  
*Chairman*

Hong Kong, 22 December 2014

*As at the date of this announcement, the Board comprises Mr. Sze Man Bok, Mr. Hui Lin Chit, Mr. Hung Ching Shan, Mr. Xu Shui Shen, Mr. Xu Da Zuo, Mr. Xu Chun Man, Mr. Sze Wong Kim, Mr. Hui Ching Chi and Mr. Loo Hong Shing Vincent as executive Directors, and Mr. Chan Henry, Mr. Wang Ming Fu, Ms. Ada Ying Kay Wong, Mr. Ho Kwai Ching, Mark and Mr. Zhou Fang Sheng as independent non-executive Directors.*